

**OTTUMWA COMMUNITY SCHOOL DISTRICT
OTTUMWA, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2012

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OTTUMWA COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2011 election)		
Carol Mitchell	President	2013
R. Payson Moreland	Vice President	2013
Ron Oswalt	Board Member	2011
Greg Riley	Board Member	2011
Cindy Kurtz-Hopkins	Board Member	2011
Doug Mathias	Board Member	2011
Jeff Strunk	Board Member	2013
(After September 2011 election)		
Carol Mitchell	President	2013
R. Payson Moreland	Vice President	2013
Jeff Strunk	Board Member	2013
Ron Oswalt	Board Member	2015
Greg Riley	Board Member	2015
Cindy Kurtz-Hopkins	Board Member	2015
Doug Mathias	Board Member	2015
<u>School Officials</u>		
Dr. Davis Eidahl	Superintendent	2015
Roberta Freeborn	District Secretary/Treasurer	2012
Richard Gaumer	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Ottumwa Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ottumwa Community School District, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ottumwa Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2012 on our consideration of Ottumwa Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 56 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ottumwa Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
November 30, 2012

Ottumwa Community School District
MANAGEMENT DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2012

Ottumwa Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- The District started construction on a new \$15 million, 750 student, 2nd - 5th grade elementary school that is scheduled for completion in the fall of 2013. This project will be financed with Sales Tax Revenue bonds.
- The District's property tax levy rate remained constant at approximately the average for the State of Iowa.
- The District showed an increase in total net assets of \$4,078,662 for the year ended June 30, 2012, a 16.7% increase.
- Governmental funds reported a total fund balance on June 30, 2012 of \$14,891,845 compared to \$9,911,053 reported on June 30, 2011, or an increase of \$4,980,792. Fund balances by fund are as follows: General Fund \$5,830,285, Capital Projects Fund \$606,538, Student Activities Fund \$626,523, Debt Service 7,793,240 and Management Fund \$35,259.

Overview of the Financial Statements

This Discussion and Analysis is intended to serve as an introduction to the Ottumwa Community School District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements .The district-wide financial statements are designed to provide readers with a broad overview of Ottumwa Community School District's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Ottumwa Community School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the district-wide financial statements reflect functions of the Ottumwa Community School District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the district include instruction, support services, non-instructional programs, operation and maintenance of plant, student transportation and capital construction. Business-type activities are those that the District charges a fee to help cover the cost, such as school nutrition, before and after school child care and student construction.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same function reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements,

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Net Assets – Table 1 below provides a summary of the District’s net assets for the year ended June 30, 2012 compared to June 30, 2011.

Table 1-Net Assets

	<u>Governmental Activities</u>		<u>Business Type</u>		<u>Total District</u>	
	<u>June 30</u>		<u>June 30</u>		<u>June 30</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
ASSETS						
Current and other assets	\$34,665,275	\$28,479,606	890,113	942,012	\$35,555,388	\$29,421,618
Capital assets	26,923,432	25,669,879	347,065	390,741	27,270,497	26,060,620
Total assets	<u>61,588,707</u>	<u>54,149,485</u>	<u>1,237,178</u>	<u>1,332,753</u>	<u>62,825,885</u>	<u>55,482,238</u>
LIABILITIES						
Other liabilities	18,820,597	17,643,879	168,727	157,039	18,989,324	17,800,918
Long-term liabilities	15,303,758	13,230,139	18,061	15,101	15,321,819	13,245,240
Total liabilities	<u>34,124,355</u>	<u>30,874,018</u>	<u>186,788</u>	<u>172,140</u>	<u>34,311,143</u>	<u>31,046,158</u>
NET ASSETS						
Invested in capital assets						
Net of debt	12,773,432	13,639,879	347,065	390,741	13,120,497	14,030,620
Restricted	9,918,859	6,680,072			9,918,859	6,680,072
Unrestricted	<u>4,772,061</u>	<u>2,955,516</u>	<u>703,325</u>	<u>769,872</u>	<u>5,475,386</u>	<u>3,725,388</u>
Total Net Assets	<u>27,464,352</u>	<u>23,275,467</u>	<u>1,050,390</u>	<u>1,160,613</u>	<u>28,514,742</u>	<u>24,436,080</u>

The District’s combined total net assets increased by \$4,078,662 or 16.7% for 2012. The majority of the change can be attributed to an increase in unrestricted state grants and property tax received and a \$1,209,877 increase in capital assets. Restricted net assets are \$9,918,859 and are resources that are subject to external restrictions on how they may be used. The majority of restricted net assets are for debt repayment, totaling \$7,651,531. Unrestricted net assets totaled \$5,475,386 and may be used to meet the District’s ongoing obligations to students and creditors.

Table 2 – Statement of Activities and Changes to Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total School District</u>		<u>Change</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011 -</u> <u>2012</u>
Revenues							
Program Revenues							
Charges for services	1,818,780	1,756,755	1,075,074	690,344	2,893,854	2,447,099	18.3%
Operating grants and contributions	8,609,428	9,616,978	1,549,089	1,469,756	10,158,517	11,086,734	-8.4%
Capital grants and contributions							
General Revenues							
Property and other taxes	11,012,849	10,522,203			11,012,849	10,522,203	4.7%
Local option sales tax	3,813,947	3,654,860			3,813,947	3,654,860	4.4%
State and federal grants	23,677,131	23,091,337			23,677,131	23,091,337	2.5%
Other	96,618	82,143	3,553	3,737	100,171	85,880	10.3%
Total Revenues	49,028,753	48,724,276	2,627,716	2,163,837	51,656,469	50,888,113	1.5%
Expenditures							
Instruction	28,265,591	28,697,885			28,265,591	28,697,885	-1.5%
Pupil and instructional services	3,495,216	3,508,923			3,495,216	3,508,923	-.4%
Administrative and business services	3,921,948	4,013,364	80,023	77,700	4,001,971	4,091,064	-2.2%
Maintenance and operations	3,798,742	3,816,363	35,032		3,833,774	3,816,363	.5%
Transportation	1,554,580	1,453,859	15,840	12,493	1,570,420	1,466,352	7.1%
Other	3,790,453	4,038,650	449,172	2,035	4,239,625	4,040,685	4.9%
Non instructional	13,338	18,434	2,157,872	2,036,883	2,171,210	2,055,317	5.6%
Total Expenditures	44,839,868	45,547,478	2,737,939	2,129,111	47,577,807	47,676,589	-.2%
Change in net assets	4,188,885	3,176,798	-110,223	34,726	4,078,662	3,211,524	27.0%
Net assets beginning of year	23,275,467	20,098,669	1,160,613	1,125,887	24,436,080	21,224,556	15.1%
Net assets end of year	27,464,352	23,275,467	1,050,390	1,160,613	28,514,742	24,436,080	16.7%

Governmental Activities

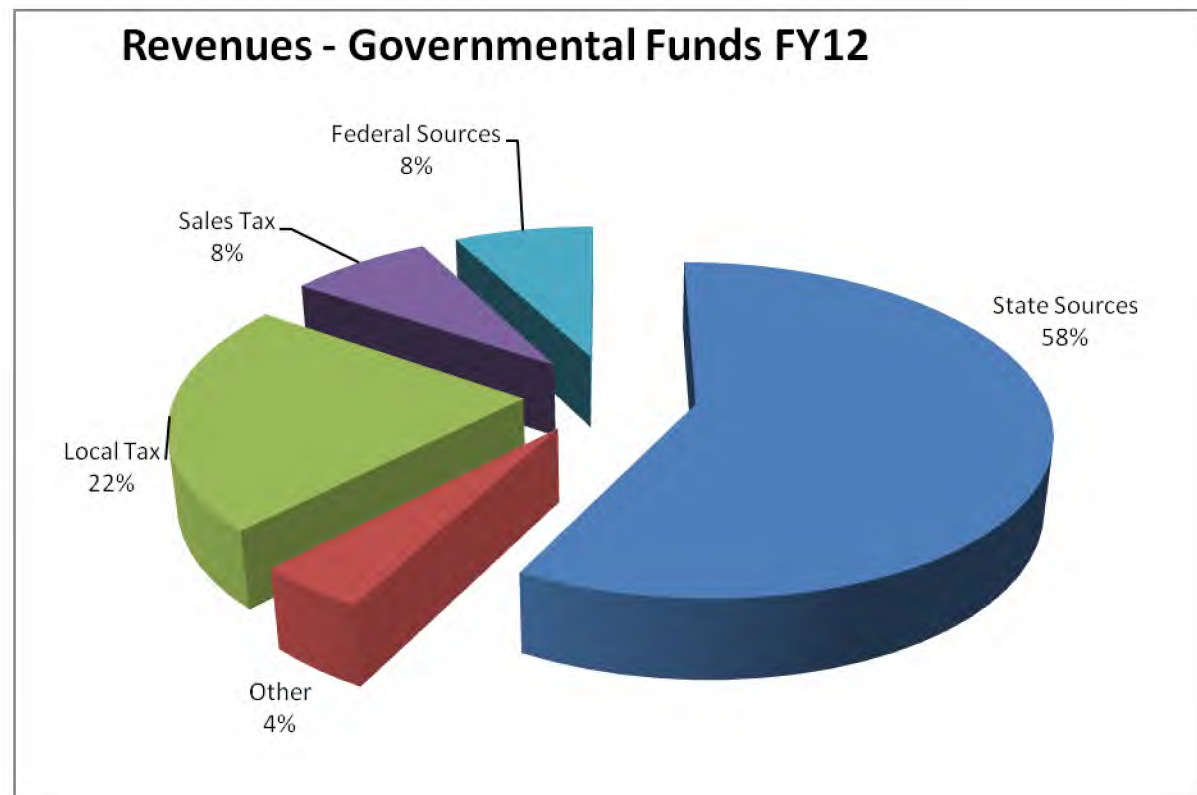
- Revenues from government activities increased by \$304,477, or .6% , and expenses decreased by \$707,610, or 1.5%. Net assets increased by \$4,188,885 from 2011.

Business Type Activities

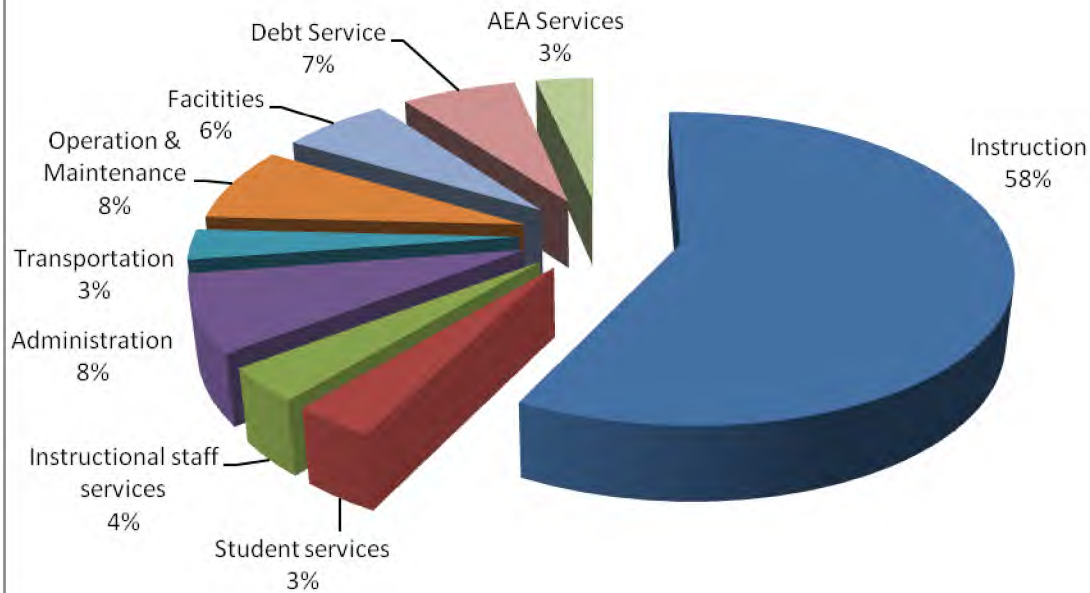
- Revenues from business-type activities increased by \$463,879, or 21.4%, and expenses increased by 608,829, or 28.6%. The reason for the majority of the increase in both revenues and expenses was that the District sold both the 2010-11 and the 2011-12 student constructed houses during the 2011-12 fiscal year.

Table 3 -Statement of Revenues, Expenditures and Changes in Fund Balances– Governmental Funds

	<u>2012</u>	<u>2011</u>
Revenues		
Local Tax	11,004,622	10,513,130
Sales Tax	3,813,947	3,654,860
Local/Intermediate Other	2,156,436	2,313,558
State sources	28,290,351	27,705,836
Federal sources	3,752,653	4,536,787
Total Revenues	49,018,009	48,724,171
Expenditures		
Instruction	28,243,725	28,677,641
Student services	1,724,072	1,634,091
Instructional staff services	1,761,647	1,874,829
Administration services	3,916,937	4,013,643
Operation and maintenance of plant services	3,795,257	3,785,141
Transportation	1,551,382	1,453,860
Non-instructional services	13,338	18,434
Facilities acquisition	3,113,514	322,714
Debt Service	3,320,223	6,620,921
AEA flowthrough	1,647,866	1,822,278
Total Expenditures	49,087,961	50,223,552
Excess revenues over expenditures	(69,952)	(1,499,381)
Other financing sources(uses)		
Revenue bonds issued	5,040,000	3,315,000
Other financing sources	10,744	105
Net change in fund balances	4,980,792	1,815,724
Fund balances beginning of year	9,911,053	8,095,329
Fund balances end of year	14,891,845	9,911,053



Expenditures - Governmental Funds FY12



Historical Taxable Valuation and Levy rate per \$1000 Taxable Valuation

	Taxable Valuation	% Change	Levy Rate
FY 01	510,807,450	-1.7%	17.01
FY 02	522,821,757	2.4%	17.19
FY 03	515,637,703	-1.4%	17.59
FY 04	524,498,646	1.7%	17.56
FY 05	554,237,884	5.7%	14.85
FY 06	569,926,691	2.8%	14.95
FY 07	600,142,208	5.3%	13.85
FY 08	598,991,897	-.2%	14.59
FY 09	637,357,198	6.4%	14.95
FY 10	653,840,645	2.6%	14.95
FY 11	695,847,620	6.4%	14.95
FY 12	743,925,779	6.9%	14.95

Taxable valuation excludes TIF

Over the last five years taxable valuations have increased an average of 4.42% a year. The District's Levy rate has remained fairly constant in the \$14.87 range the last 5 years. This rate is very comparable to the average levy rate for Iowa school districts during this period.

Financial Analysis of the District's Funds

A summary financial analysis of each individual District fund follows:

Governmental Fund Highlights

The focus of the Ottumwa Community School District's governmental funds is to provide information on the near-term inflows, outflows and balance of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

- On June 30, 2012 the District reported a total government funds fund balance of \$14,891,845, an increase of \$4,980,792, or 50%, from the prior year. An increase in the Debt Service Fund of \$5,029,208 accounts for the majority of the increase as refinancing bonds were issued in FY12 but the original bonds are not callable until FY13.

General Fund

- Total General Fund revenues for FY 2012 were \$43,019,956, a decrease of \$11,526 from the prior year. Federal revenue declined by \$784,134 as federal stimulus funds were eliminated. The State set the allowable growth rate for 2011-12 at 0%, the lowest in history.
- Expenditures for FY 2012 were \$41,226,633, a decrease of \$677,185, or 1.6%, from the prior year.
- For FY 2012 revenues exceeded expenditures by \$1,793,423.

Debt Service Fund

- The District issued \$5,040,000 of sales tax revenue bonds at a 1.0% interest rate. The proceeds will be used to call bonds issued in 2007 and 2008 with 3.88% - 4.18% rates. The District will save \$200,482 in interest over the over the next three years, with an economic (present) value of \$198,555.

Management Levy Fund

- The Management Levy Fund balance saw a reduction of \$101,976 during the year as expenditures increased by \$62,908 from the prior year.

Student Activities Fund

- The Student Activity Fund remains stable with a balance of \$626,523, an increase of \$60,544 from the prior year. Revenues were \$963,687 and expenditures were \$903,143 for the year.

Capital Projects Fund

- The Capital Project Fund reported a decrease to the fund balance of \$1,812,855 to \$606,538. The District started construction on a new \$15 million elementary building with a fall 2013 completion date. The District entered into \$13,508,755 of construction contracts, of which \$1,706,692 was incurred in FY2012 with a remaining construction contract balance of \$11,802,063 that will paid out as work progresses on the project.

Proprietary Fund Highlights

School Nutrition Fund

- Net assets decreased by \$46,297 to \$812,256 with revenues of \$2,049,088 and expenditures of \$2,095,385.

Youth Care Fund

- Net assets declined by \$10,382 to \$47,067 with revenues of \$183,000 and expenditures of \$193,382.

Student Constructed House Fund

- The District sold both the 2009-10 student constructed house and the 2010-12 student project during FY 2012, leaving a fund balance of \$191,067.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget, following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared in accordance with generally accepted accounting principles. For FY 2012 the District's amended total budget included revenue of \$51,936,627 and expenditures/expenses of \$59,591,450. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Legal Budgetary Highlights

Actual revenues were \$209,902 less than budgeted and expenditures were \$7,765,550 less than budgeted. Expenditures were considerably less than budgeted as the budget included a large construction project that was only partially completed during the year.

Capital Asset and Debt Administration

Capital Assets

	<u>Governmental Activities</u>		<u>Business- Type</u>		<u>District</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>Total</u>
					<u>2012</u>
Land	691,857	472,677			691,857
Construction in progress	2,443,163	78,475			2,443,163
Buildings	45,381,362	45,698,803			45,381,362
Improvements non Bldgs	1,137,117	858,152			1,137,117
Furniture and Equipment	793,787	769,718	899,887	892,135	1,693,684
Total Capital Assets	50,447,286	47,877,825	899,887	892,135	51,347,173
Accumulated Depreciation	23,523,854	22,207,946	552,822	501,394	24,076,676
Capital Net Assets	26,923,432	25,669,879	347,065	390,741	27,270,497

The District started construction on a new \$15 million elementary school in FY12, scheduled for completion in the fall of 2013.

Long-Term Debt

	<u>Outstanding</u>	<u>Net Change</u>	<u>Outstanding</u>
	<u>2011</u>	<u>2012</u>	<u>2012</u>
Early Retirement & Compensated Absence	615,538	-148,354	467,184
General Obligation Bonds	3,315,000	-870,000	2,445,000
Sales and Service Tax Bonds	8,715,000	2,990,000	11,705,000
Net OPEB Liability	584,601	101,973	686,574
Total	13,230,139	2,073,619	15,303,758

Sales Tax Bonds in the amount of \$5,040,000 were issued during the year to refinance outstanding bonds at a more favorable rate.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District's October 2012 enrollment increased by 48.2 or 1% from the prior year with the kindergarten class up by 23%. Long-term, the District's enrollment should be expected to decrease at a 1-2% annual decline based on past trends.
- The State of Iowa has not yet set allowable growth for FY14, while the FY13 allowable growth rate is 2%.
- Effective July 1, 2013, contributions to the Iowa Public Employees Retirement System (IPERS) will be increasing .43%, .26% for the District and .17% for the Employee. Future increases will be limited to a maximum of 1% annually.
- The District has started construction on a \$15 million elementary school and will issue sales tax revenue bonds to finance the project. A \$4.3 million elementary building renovation is planned to start in June 2013 which will also be financed by sales tax revenue bonds.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Donner, Ottumwa Community School District, 422 McCarroll Drive, Ottumwa, Iowa, 52501.

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Basic Financial Statements

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 20,938,508	\$ 784,923	\$ 21,723,431
Receivables:			
Property tax:			
Current year	268,128	-	268,128
Succeeding year	11,665,332	-	11,665,332
Accounts	44,061	-	44,061
Due from other governments	1,431,892	291	1,432,183
Inventories	53,354	104,899	158,253
Prepaid expenses (note 4)	264,000	-	264,000
Capital assets, net of accumulated depreciation (note 5)	26,923,432	347,065	27,270,497
Total assets	61,588,707	1,237,178	62,825,885
Liabilities			
Accounts payable	2,129,298	25,733	2,155,031
Salaries and benefits payable	4,494,650	127,758	4,622,408
Claims incurred but not reported	290,000	-	290,000
Accrued interest payable	141,709	-	141,709
Deferred revenue:			
Succeeding year property tax	11,665,332	-	11,665,332
Other	5,008	15,236	20,244
Deposits payable	94,600	-	94,600
Long-term liabilities (note 7):			
Portion due within one year:			
Early retirement	139,793	-	139,793
Bonds payable	7,540,000	-	7,540,000
Compensated absences	167,116	-	167,116
Portion due after one year:			
Early retirement	160,275	-	160,275
Bonds payable	6,610,000	-	6,610,000
Net OPEB liability	686,574	18,061	704,635
Total liabilities	34,124,355	186,788	34,311,143

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 12,773,432	\$ 347,065	\$ 13,120,497
Restricted for:			
Categorical funding (note 12)	1,034,267	-	1,034,267
Physical plant and equipment levy purposes	62,915	-	62,915
Student activities	626,523	-	626,523
Debt service	7,651,531	-	7,651,531
Capital projects	543,623	-	543,623
Unrestricted	4,772,061	703,325	5,475,386
Total net assets	\$ 27,464,352	\$ 1,050,390	\$ 28,514,742

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction:			
Regular instruction	\$ 18,375,675	\$ 567,164	\$ 3,493,591
Special instruction	4,546,165	246,712	2,349,594
Other instruction	5,343,751	961,897	770,759
	<u>28,265,591</u>	<u>1,775,773</u>	<u>6,613,944</u>
Support services:			
Student services	1,726,531	-	49,381
Instructional staff services	1,768,685	-	224,520
Administration services	3,921,948	-	-
Operation and maintenance of plant services	3,798,742	43,007	-
Transportation services	1,554,580	-	1,824
	<u>12,770,486</u>	<u>43,007</u>	<u>275,725</u>
Non-instructional programs	<u>13,338</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	206,982	-	71,893
Long-term debt interest and fiscal charges	349,332	-	-
AEA flowthrough	1,647,866	-	1,647,866
Depreciation (unallocated) *	1,586,273	-	-
	<u>3,790,453</u>	<u>-</u>	<u>1,719,759</u>
Total governmental activities	44,839,868	1,818,780	8,609,428

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
<hr/>		
\$ (14,314,920)	\$ -	\$ (14,314,920)
(1,949,859)	-	(1,949,859)
(3,611,095)	-	(3,611,095)
<hr/>		
(19,875,874)	-	(19,875,874)
<hr/>		
(1,677,150)	-	(1,677,150)
(1,544,165)	-	(1,544,165)
(3,921,948)	-	(3,921,948)
(3,755,735)	-	(3,755,735)
(1,552,756)	-	(1,552,756)
<hr/>		
(12,451,754)	-	(12,451,754)
<hr/>		
(13,338)	-	(13,338)
<hr/>		
(135,089)	-	(135,089)
(349,332)	-	(349,332)
-	-	-
(1,586,273)	-	(1,586,273)
<hr/>		
(2,070,694)	-	(2,070,694)
<hr/>		
(34,411,660)	-	(34,411,660)
<hr/>		

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Business-Type Activities:			
Support services:			
Food service operations	\$ 115,055	\$ -	\$ -
Other programs	15,840	-	-
	<u>130,895</u>	<u>-</u>	<u>-</u>
Non-instructional programs:			
Food service operations	1,980,330	525,510	1,521,928
Other programs	177,542	153,936	27,161
	<u>2,157,872</u>	<u>679,446</u>	<u>1,549,089</u>
Other expenditures:			
Other programs	449,172	395,628	-
	<u>449,172</u>	<u>395,628</u>	<u>-</u>
Total business-type activities	<u>2,737,939</u>	<u>1,075,074</u>	<u>1,549,089</u>
Total	\$ 47,577,807	\$ 2,893,854	\$ 10,158,517

General revenues:

General purposes
Debt service
Statewide sales, services and use tax
Unrestricted state and federal grants
Unrestricted investment earnings
Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ -	\$ (115,055)	\$ (115,055)
-	(15,840)	(15,840)
-	(130,895)	(130,895)
-	67,108	67,108
-	3,555	3,555
-	70,663	70,663
-	(53,544)	(53,544)
-	(113,776)	(113,776)
(34,411,660)	(113,776)	(34,525,436)
\$ 10,304,754	\$ -	\$ 10,304,754
708,095	-	708,095
3,813,947	-	3,813,947
23,677,131	-	23,677,131
67,085	2,002	69,087
29,533	1,551	31,084
38,600,545	3,553	38,604,098
4,188,885	(110,223)	4,078,662
23,275,467	1,160,613	24,436,080
\$ 27,464,352	\$ 1,050,390	\$ 28,514,742

OTTUMWA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 10,062,986	\$ 7,776,446	\$ 1,696,711	\$ 19,536,143
Receivables:				
Property tax:				
Current year	241,594	16,794	9,740	268,128
Succeeding year	10,215,435	924,898	524,999	11,665,332
Accounts	-	-	240	240
Due from other governments	827,707	-	604,185	1,431,892
Inventories	53,354	-	-	53,354
Prepaid expenses (note 4)	-	-	264,000	264,000
Total assets	<u>\$ 21,401,076</u>	<u>\$ 8,718,138</u>	<u>\$ 3,099,875</u>	<u>\$ 33,219,089</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Debt Service	Nonmajor	Total
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 842,280	\$ -	\$ 1,210,374	\$ 2,052,654
Salaries and benefits payable	4,493,068	-	1,582	4,494,650
Deferred revenue:				
Succeeding year property tax	10,215,435	924,898	524,999	11,665,332
Other	20,008	-	-	20,008
Deposits payable	-	-	94,600	94,600
Total liabilities	<u>15,570,791</u>	<u>924,898</u>	<u>1,831,555</u>	<u>18,327,244</u>
Fund balances:				
Nonspendable:				
Inventories	53,354	-	-	53,354
Prepaid expenses	-	-	264,000	264,000
Restricted for:				
Categorical funding (note 12)	1,034,267	-	-	1,034,267
Debt service reserve	-	504,000	-	504,000
Debt service	-	7,289,240	-	7,289,240
School infrastructure	-	-	279,623	279,623
Physical plant and equipment	-	-	62,915	62,915
Management levy purposes	-	-	35,259	35,259
Student activities	-	-	626,523	626,523
Assigned for:				
Stevens educational trust	50,105	-	-	50,105
Unassigned	4,692,559	-	-	4,692,559
Total fund balances	<u>5,830,285</u>	<u>7,793,240</u>	<u>1,268,320</u>	<u>14,891,845</u>
Total liabilities and fund balances	<u>\$ 21,401,076</u>	<u>\$ 8,718,138</u>	<u>\$ 3,099,875</u>	<u>\$ 33,219,089</u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2012

Total fund balances of governmental funds	\$ 14,891,845
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
The Internal Service Fund net assets are incorporated into governmental net assets due to the integral nature of the services performed.	1,079,542
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	26,923,432
Other long-term assets, including unearned local grants, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	15,000
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(141,709)
Long-term liabilities, including early retirement, bonds payable, compensated absences, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(15,303,758)</u>
Net assets of governmental activities	<u>\$ 27,464,352</u>
See notes to financial statements.	

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	General	Debt Service	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 9,897,529	\$ 708,095	\$ 4,212,945	\$ 14,818,569
Tuition	660,613	-	-	660,613
Other	419,685	8,780	1,067,358	1,495,823
State sources	28,289,476	556	319	28,290,351
Federal sources	3,752,653	-	-	3,752,653
Total revenues	43,019,956	717,431	5,280,622	49,018,009
Expenditures:				
Current:				
Instruction	27,069,557	-	1,174,168	28,243,725
Support services:				
Student services	1,724,072	-	-	1,724,072
Instructional staff services	1,761,228	-	419	1,761,647
Administration services	3,891,411	-	25,526	3,916,937
Operation and maintenance of plant services	3,574,886	-	220,371	3,795,257
Transportation services	1,544,175	-	7,207	1,551,382
	12,495,772	-	253,523	12,749,295
Non-instructional programs	13,338	-	-	13,338
Other expenditures:				
Facilities acquisition	-	-	3,113,514	3,113,514
Long term debt:				
Principal	-	2,920,000	-	2,920,000
Interest and fiscal charges	-	400,223	-	400,223
AEA flowthrough	1,647,866	-	-	1,647,866
	1,647,866	3,320,223	3,113,514	8,081,603
Total expenditures	41,226,533	3,320,223	4,541,205	49,087,961
Excess (deficiency) of revenues over (under) expenditures	1,793,423	(2,602,792)	739,417	(69,952)

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	General	Debt Service	Nonmajor	Total
Other financing sources (uses):				
Sale of equipment	\$ 760	\$ -	\$ -	\$ 760
Compensation for loss of capital assets	9,984	-	-	9,984
Interfund transfers in (note 3)	1,704	2,592,000	-	2,593,704
Interfund transfers out (note 3)	-	-	(2,593,704)	(2,593,704)
Revenue bonds issued	-	5,040,000	-	5,040,000
Total other financing sources (uses)	12,448	7,632,000	(2,593,704)	5,050,744
Net change in fund balances	1,805,871	5,029,208	(1,854,287)	4,980,792
Fund balances beginning of year	4,024,414	2,764,032	3,122,607	9,911,053
Fund balances end of year	\$ <u>5,830,285</u>	\$ <u>7,793,240</u>	\$ <u>1,268,320</u>	\$ <u>14,891,845</u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ 4,980,792

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 2,930,601	
Depreciation expense	<u>(1,677,048)</u>	1,253,553

The change in net assets of the Internal Service Fund represents an undercharge for services performed for governmental activities. Expenses in governmental activities are adjusted to reflect this undercharge in the Statement of Activities. (22,732)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. (5,040,000)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 2,920,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 50,891

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	175,308	
Compensated absences	(26,954)	
Net OPEB liability	<u>(101,973)</u>	<u>46,381</u>

Change in net assets of governmental activities \$ 4,188,885

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	Enterprise Funds	Internal Service Fund
Assets		
Cash and cash equivalents	\$ 784,923	\$ 1,402,365
Receivables:		
Accounts	-	43,821
Due from other governments	291	-
Inventories	104,899	-
Capital assets, net of accumulated depreciation (note 5)	347,065	-
Total assets	<u>1,237,178</u>	<u>1,446,186</u>
Liabilities		
Accounts payable	25,733	76,644
Salaries and benefits payable	127,758	-
Claims incurred but not reported	-	290,000
Deferred revenue	15,236	-
Net OPEB liability (notes 7 and 8)	18,061	-
Total liabilities	<u>186,788</u>	<u>366,644</u>
Net Assets		
Invested in capital assets	347,065	-
Unrestricted	<u>703,325</u>	<u>1,079,542</u>
Total net assets	<u>\$ 1,050,390</u>	<u>\$ 1,079,542</u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 Year Ended June 30, 2012

	Enterprise Funds	Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 1,075,074	\$ 2,561,210
Operating expenses:		
Support services:		
Salaries	68,730	-
Benefits	9,544	-
Purchased services	52,621	-
	<u>130,895</u>	<u>-</u>
Non-instructional programs:		
Salaries	679,139	-
Benefits	138,235	-
Purchased services	56,297	2,589,824
Supplies	1,232,773	-
Other	51,428	-
	<u>2,157,872</u>	<u>2,589,824</u>
Facilities acquisition and construction:		
Purchased services	3,765	-
Supplies	445,407	-
	<u>449,172</u>	<u>-</u>
Total operating expenses	<u>2,737,939</u>	<u>2,589,824</u>
Operating loss	(1,662,865)	(28,614)
Non-operating revenues:		
Interest on investments	2,002	5,882
Local sources	1,551	-
State sources	18,951	-
Federal sources	1,530,138	-
Total non-operating revenues	<u>1,552,642</u>	<u>5,882</u>
Change in net assets	(110,223)	(22,732)
Net assets beginning of year	<u>1,160,613</u>	<u>1,102,274</u>
Net assets end of year	<u>\$ 1,050,390</u>	<u>\$ 1,079,542</u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	Enterprise Funds	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 511,184	\$ -
Cash received from miscellaneous operating activities	570,727	2,517,389
Cash payments to employees for services	(892,979)	-
Cash payments to suppliers for goods or services	(1,251,885)	(2,539,562)
Net cash used by operating activities	<u>(1,062,953)</u>	<u>(22,173)</u>
Cash flows from non-capital financing activities:		
(Decrease) in interfund payable	(140,000)	-
Local grants received	1,551	-
State grants received	18,660	-
Federal grants received	1,413,453	-
Net cash provided by non-capital financing activities	<u>1,293,664</u>	<u>-</u>
Cash flows from capital and related activities:		
Purchase of equipment	<u>(7,752)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>2,002</u>	<u>5,882</u>
Net increase (decrease) in cash and cash equivalents	224,961	(16,291)
Cash and cash equivalents beginning of year	<u>559,962</u>	<u>1,418,656</u>
Cash and cash equivalents end of year	<u>\$ 784,923</u>	<u>\$ 1,402,365</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	Enterprise Funds	Internal Service Fund
	<u> </u>	<u> </u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (1,662,865)	\$ (28,614)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	51,428	-
Commodities used	116,685	-
(Increase) in accounts receivable	-	(43,821)
Decrease in inventories	417,151	-
Increase in accounts payable	5,142	50,262
(Decrease) in salaries and benefits payable	(291)	-
Increase in deferred revenue	6,837	-
Increase in net OPEB liability	2,960	-
	<u> </u>	<u> </u>
Net cash used by operating activities	\$ <u>(1,062,953)</u>	\$ <u>(22,173)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$116,685 of federal commodities.

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

	Private Purpose Trust	Scholarship
Assets:		
Cash and pooled investments	\$ 81,276	
Accrued interest receivable	<u>495</u>	
Total assets		<u>81,771</u>
Liabilities:		
None		<u>-</u>
Net assets:		
Reserved for scholarships	\$	<u><u>81,771</u></u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2012

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 595
Interest	<u>94</u>
Total additions	<u>689</u>
Deductions:	
Non-instructional services:	
Scholarships awarded	<u>2,829</u>
Change in net assets	(2,140)
Net assets beginning of year	<u>83,911</u>
Net assets end of year	<u><u>\$ 81,771</u></u>
See notes to financial statements.	

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

Ottumwa Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Ottumwa, Iowa, and agricultural territory in Wapello County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Ottumwa Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Ottumwa Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wapello County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District reports three nonmajor enterprise funds: the School Nutrition Fund, used to account for the food service operations of the District, the Youth Care, used to account for daycare operations, and the Career Academy House, used to account for the student-built house activities. The District also reports one internal service fund: the self-funded insurance fund, used to account for the District's self-funded health and dental insurance activity.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Prepaid Expenses – The District has paid for services that will not be a benefit until future periods. These amounts are reflected as a prepaid expenses asset in the financial statements.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 4,000
Buildings	4,000
Improvements other than buildings	4,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	4,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	20-50 years
Improvements other than buildings	15 years
Furniture and equipment	5-12 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unearned federal grants and unearned meal revenues.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments as follows:

	<u>Value</u>
Money market mutual fund	\$ 504,000
Iowa Schools Joint Investment Trust, Diversified Portfolio	<u>10,071</u>
	<u>\$ 514,071</u>

The investment in the Iowa Schools Joint Investment Trust is valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the money market mutual fund is stated at fair value.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services. The investment in the money market mutual fund is not rated.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue, Management Levy	\$ 1,704
Debt Service	Capital Projects	<u>2,592,000</u>
		<u>\$ 2,593,704</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4. Prepaid Expense

The District entered into an agreement to establish the Regional Academy at the Indian Hills Community College (IHCC) North Campus. The agreement calls for the lease of IHCC property for a term of 114 months for a total cost of \$330,000. The term runs from August, 2010 through January, 2021. The prepaid expense will be amortized on a straight-line basis over the term of the lease. The balance of the prepaid lease at June 30, 2012 totaled \$264,000.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 472,677	\$ 219,180	\$ -	\$ 691,857
Construction in progress	78,475	2,563,505	198,817	2,443,163
Total capital assets not being depreciated	<u>551,152</u>	<u>2,782,685</u>	<u>198,817</u>	<u>3,135,020</u>
Capital assets being depreciated:				
Buildings	45,698,803	43,699	361,140	45,381,362
Improvements other than buildings	858,152	278,965	-	1,137,117
Furniture and equipment	769,718	24,069	-	793,787
Total capital assets being depreciated	<u>47,326,673</u>	<u>346,733</u>	<u>361,140</u>	<u>47,312,266</u>
Less accumulated depreciation for:				
Buildings	21,200,792	1,574,068	361,140	22,413,720
Improvements other than buildings	295,100	73,313	-	368,413
Furniture and equipment	712,054	29,667	-	741,721
Total accumulated depreciation	<u>22,207,946</u>	<u>1,677,048</u>	<u>361,140</u>	<u>23,523,854</u>
Total capital assets being depreciated, net	<u>25,118,727</u>	<u>(1,330,315)</u>	<u>-</u>	<u>23,788,412</u>
Governmental activities capital assets, net	<u>\$ 25,669,879</u>	<u>\$ 1,452,370</u>	<u>\$ 198,817</u>	<u>\$ 26,923,432</u>
Business-type activities:				
Furniture and equipment	\$ 892,135	\$ 7,752	\$ -	\$ 899,887
Less accumulated depreciation	<u>501,394</u>	<u>51,428</u>	<u>-</u>	<u>552,822</u>
Business-type activities capital assets, net	<u>\$ 390,741</u>	<u>\$ (43,676)</u>	<u>\$ -</u>	<u>\$ 347,065</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction	\$ 68,611
Support services:	
Administration	6,430
Operation and maintenance of plant services	<u>15,734</u>
	90,775
Unallocated depreciation	<u>1,586,273</u>
 Total governmental activities depreciation expense	 <u>\$ 1,677,048</u>

Business-type activities:

Food service operations	<u>\$ 51,428</u>
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Note 6. Short-term Financing

During the year ended June 30, 2012, the District's General Fund made a \$340,000 temporary loan for cash flow purposes to the Special Revenue, Management Levy Fund at a one percent per annum interest rate. The loan was repaid prior to June 30, 2012, including interest charges of \$1,704.

During the year ended June 30, 2012, the District's Enterprise, Career Academy House Fund repaid an outstanding temporary loan from the General Fund totaling \$141,798, including \$1,798 of interest.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year		Additions		Reductions		Balance End of Year		Due Within One Year
Governmental activities:									
Early retirement	\$ 475,376	\$	-	\$	175,308	\$	300,068	\$	139,793
General obligation bonds	3,315,000		-		870,000		2,445,000		875,000
Revenue bonds	8,715,000		5,040,000		2,050,000		11,705,000		6,665,000
Compensated absences	140,162		167,116		140,162		167,116		167,116
Net OPEB liability	584,601		101,973		-		686,574		-
Total	\$ 13,230,139	\$	5,309,089	\$	3,235,470	\$	15,303,758	\$	7,846,909
Business-type activities:									
Net OPEB liability	\$ 15,101	\$	2,960	\$	-	\$	18,061	\$	-

Early Retirement

The District offered a voluntary early retirement plan to administrators and classified employees for the year ended June 30, 2012. Eligible administrators had to be at least age 55, with a minimum of five years consecutive service to the District immediately prior to retirement. Eligible classified employees had to be at least age 55 with a minimum of seven years consecutive service to the District immediately prior to retirement.

The early retirement incentive for each eligible administrator and classified employee was equal to the annual premium cost of the District's lowest cost single health insurance plan for a period of five years and a period of three years, respectively, after retirement. No cash benefit was allowed for the plan offered for the year ended June 30, 2012.

The District has offered various other early retirement plans in prior years. Details of those plans are available upon request at the administration offices.

At June 30, 2012, the District had obligations to 35 participants with a total liability of \$300,068. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$175,308. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Long-Term Liabilities (continued)

General Obligation Bonds Payable

Details of the District's June 30, 2012 general obligations bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Issue dated April 1, 2011		
		Principal	Interest	Total
2013	2.00 %	\$ 875,000	\$ 48,900	\$ 923,900
2014	2.00	895,000	31,400	926,400
2015	2.00	675,000	13,500	688,500
		<u>\$ 2,445,000</u>	<u>\$ 93,800</u>	<u>\$ 2,538,800</u>

During the year ended June 30, 2012, the District retired \$870,000 in general obligation bonds.

Revenue Bonds

During the year ended June 30, 2012, the District issued \$5,040,000 in School Infrastructure Sales, Service and Use Tax Revenue Refunding Bonds. The bonds, dated June 25, 2012, are payable through the year ended June 30, 2015, and have an interest rate of 1.00%.

The proceeds of the School Infrastructure Sales, Service and Use Tax Revenue Refunding Bonds will be used to advance refund the School Infrastructure Sales, Service and Use Tax Revenue Bonds issued on July 19, 2007 and the School Infrastructure Sales, Service and Use Tax Revenue Bonds issued on December 1, 2008. Those bonds have interest rates ranging from 3.88% to 4.18%, were payable through the year ended June 30, 2015, and will be called on July 1, 2012. Because of the timing of the call date, the refunding will not occur until the fiscal year ended June 30, 2013. The refunding of the July 19, 2007 and the December 1, 2008 School Infrastructure Sales, Service and Use Tax Revenue Bonds will result in a total savings of \$200,482 over the next three years, with an economic savings (net present value) of \$198,555.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Long-Term Liabilities (continued)

Details of the District's June 30, 2012 revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated July 19, 2007			Issue dated December 1, 2008		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2013	4.18 %	\$ 5,555,000	\$ 116,100	3.88 %	\$ 1,110,000	\$ 21,534
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
		<u>\$ 5,555,000</u>	<u>\$ 116,100</u>		<u>\$ 1,110,000</u>	<u>\$ 21,534</u>
Year Ending June 30,	Issue dated June 25, 2012			Total		
	Interest Rates	Principal	Interest	Principal	Interest	
2013	1.00 %	\$ -	\$ 26,040	\$ 6,665,000	\$ 163,674	
2014	1.00	2,365,000	38,575	2,365,000	38,575	
2015	1.00	2,675,000	13,375	2,675,000	13,375	
		<u>\$ 5,040,000</u>	<u>\$ 77,990</u>	<u>\$ 11,705,000</u>	<u>\$ 215,624</u>	

The District pledged future local option (statewide) sales and services tax revenues to repay the \$10,000,000 bonds issued in 2007 and the \$2,000,000 bonds issued December 1, 2008. The bonds were issued for the purpose of financing a portion of the costs of renovating the middle school. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through July 1, 2012, at which date they will be called for advance refunding. The District also pledged future sales and services tax revenues to repay the \$5,040,000 issued June 25, 2012. Those bonds were issued for the purpose of refunding the bonds issued in July 2007 and December 2008. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require approximately 62-70 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$11,920,624. For the current year, \$317,639 of interest was paid on the bonds and total statewide sales and services tax revenues were \$3,813,947.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Long-Term Liabilities (continued)

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) A reserve fund is not required for the bonds issued July 2007 and December 2008. For the bonds issued June 2012, \$504,000 was recorded in a debt service reserve fund.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Note 8. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 254 active and 40 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a self-funded plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 291,402
Interest on net OPEB obligation	6,310
Adjustment to annual required contribution	<u>37,274</u>
Annual OPEB cost	260,438
Contributions made	<u>155,505</u>
Increase in net OPEB obligation	104,933
Net OPEB obligation beginning of year	<u>599,702</u>
Net OPEB obligation end of year	<u><u>\$ 704,635</u></u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 8. Other Postemployment Benefits (OPEB) (continued)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$155,505 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 260,438	59.7%	\$ 704,635

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$2,180,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,180,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$29,177,000, and the ratio of the UAAL to covered payroll was 7.47%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000, applied on a 2/3 female, 1/3 male basis.

The UAAL is being amortized as a level dollar cost over service of the group on an open basis over 30 years.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 9. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll for the year ended June 30, 2012. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$2,219,881, \$1,927,810, and \$1,834,474, respectively, equal to the required contributions for each year.

Note 10. Risk Management

Self-Funded Health and Dental Insurance

Health – The District has a self-funded insurance plan for employee medical coverage. The District contributes to the self-insurance plan an amount equal to 125% of regular insurance coverage plus an amount for terminal funding. The fund reinsures for stop-loss insurance for individual claims in excess of \$40,000 per year and aggregate total claims of 125% of expected claims. A third party administrator is paid a fee to process the claims.

Dental – The District has a self-funded dental insurance plan for employee dental coverage. District employees contribute to the insurance plan and the plan reimburses the insurance carrier monthly for the claims paid plus pays an administrative fee. Professional services through the plan for the participants are limited to a combined maximum payment of \$750 per member per benefit period.

Payments are made to the plans based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for incurred but unpaid claims. The reserve for the Self-Funded Health and Self-Funded Dental plans was \$1,079,542 at June 30, 2012 and is recorded in the Internal Service Fund. The incurred but not reported claims liability of \$290,000 is reported as a liability of the Internal Service Fund and as a liability under governmental activities at June 30, 2012.

Ottumwa Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,647,866 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 12. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Special Education	\$ 310,523
Gifted and talented	182,933
Salary improvement program	164,010
Professional development for model core curriculum	163,329
Early intervention	121,298
Market factor incentives	27,915
Four-year-old preschool	25,871
Limited English proficiency	21,673
Home school assistance program	15,586
Non-public textbooks	1,129
	<hr/>
Total	\$ <u><u>1,034,267</u></u>

Note 13. Construction Commitments

The District has entered into various contracts totaling \$13,508,755 for a new elementary school and other projects. As of June 30, 2012, costs of \$1,706,692 had been incurred against the contracts. The balance of \$11,802,063 remaining at June 30, 2012 will be paid as work on the project progresses.

Note 14. Subsequent Events

On July 9, 2012, the District approved a temporary loan of \$450,000 from the General Fund to the Special Revenue Fund, Management Levy. The loan is to be repaid by May 1, 2013 at a .6% per annum interest rate.

On July 23, 2012, the District issued \$9,490,000 of School Infrastructure Sales, Services and Use Tax Revenue Bonds. The bonds are payable through the year ended June 30, 2030, and have interest rates ranging from 2.00% to 3.30%.

Required Supplementary Information

OTTUMWA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2012

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 16,975,005	\$ 1,078,627	\$ 18,053,632	\$ 17,905,225	\$ 17,905,225	\$ 148,407
Intermediate sources	-	-	-	25,000	25,000	(25,000)
State sources	28,290,351	18,951	28,309,302	28,791,902	28,791,902	(482,600)
Federal sources	3,752,653	1,530,138	5,282,791	5,214,500	5,214,500	68,291
Total revenues	49,018,009	2,627,716	51,645,725	51,936,627	51,936,627	(290,902)
EXPENDITURES/EXPENSES:						
Instruction	28,243,725	-	28,243,725	30,220,000	30,220,000	1,976,275
Support services	12,749,295	130,895	12,880,190	13,131,450	13,131,450	251,260
Non-instructional programs	13,338	2,157,872	2,171,210	2,340,000	2,340,000	168,790
Other expenditures	8,081,603	449,172	8,530,775	6,556,542	13,900,000	5,369,225
Total expenditures/expenses	49,087,961	2,737,939	51,825,900	52,247,992	59,591,450	7,765,550
Excess (deficiency) of revenues over (under) expenditures/ expenses	(69,952)	(110,223)	(180,175)	(311,365)	(7,654,823)	7,474,648
Other financing sources, net	5,050,744	-	5,050,744	-	-	5,050,744
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	4,980,792	(110,223)	4,870,569	(311,365)	(7,654,823)	12,525,392
Balance beginning of year	9,911,053	1,160,613	11,071,666	8,816,618	8,816,618	2,255,048
Balance end of year	<u>\$ 14,891,845</u>	<u>\$ 1,050,390</u>	<u>\$ 15,942,235</u>	<u>\$ 8,505,253</u>	<u>\$ 1,161,795</u>	<u>\$ 14,780,440</u>

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$7,343,458.

During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

OTTUMWA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ -	\$ 2,224	\$ 2,224	0.0%	\$ 28,951	7.7%
2011	July 1, 2010	-	2,180	2,180	0.0%	29,348	7.4%
2012	July 1, 2010	-	2,180	2,180	0.0%	29,177	7.5%

See note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue		Capital	
	Management	Student	Projects	Total
	Levy	Activity		
Assets				
Cash and pooled investments	\$ 26,948	\$ 664,149	\$ 1,005,614	\$ 1,696,711
Receivables:				
Property tax:				
Current year	9,740	-	-	9,740
Succeeding year	524,999	-	-	524,999
Accounts	-	240	-	240
Due from other governments	-	-	604,185	604,185
Prepaid expenses	-	-	264,000	264,000
Total assets	\$ 561,687	\$ 664,389	\$ 1,873,799	\$ 3,099,875
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,429	\$ 36,284	\$ 1,172,661	\$ 1,210,374
Salaries and benefits payable	-	1,582	-	1,582
Deferred revenue:				
Succeeding year property tax	524,999	-	-	524,999
Deposits payable	-	-	94,600	94,600
Total liabilities	526,428	37,866	1,267,261	1,831,555
Fund balances:				
Nonspendable:				
Prepaid expenses	-	-	264,000	264,000
Restricted for:				0
School infrastructure	-	-	279,623	279,623
Physical plant and equipment levy	-	-	62,915	62,915
Management levy purposes	35,259	-	-	35,259
Student activities	-	626,523	-	626,523
Total fund balances	35,259	626,523	606,538	1,268,320
Total liabilities and fund balances	\$ 561,687	\$ 664,389	\$ 1,873,799	\$ 3,099,875

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2012

	Special Revenue			
	Management	Student	Capital	
	Levy	Activity	Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 398,998	\$ -	\$ 3,813,947	\$ 4,212,945
Other	24,959	963,687	78,712	1,067,358
State sources	319	-	-	319
Total revenues	<u>424,276</u>	<u>963,687</u>	<u>3,892,659</u>	<u>5,280,622</u>
Expenditures:				
Current:				
Instruction	278,651	895,517	-	1,174,168
Support services:				
Instructional staff services	-	419	-	419
Administration services	25,526	-	-	25,526
Operation and maintenance of plant services	220,371	-	-	220,371
Transportation services	-	7,207	-	7,207
Other expenditures:				
Facilities acquisition	-	-	3,113,514	3,113,514
Total expenditures	<u>524,548</u>	<u>903,143</u>	<u>3,113,514</u>	<u>4,541,205</u>
Excess (deficiency) of revenues over (under) expenditures	(100,272)	60,544	779,145	739,417
Other financing sources (uses):				
Interfund transfers out	<u>(1,704)</u>	-	<u>(2,592,000)</u>	<u>(2,593,704)</u>
Net change in fund balances	(101,976)	60,544	(1,812,855)	(1,854,287)
Fund balances beginning of year	<u>137,235</u>	<u>565,979</u>	<u>2,419,393</u>	<u>3,122,607</u>
Fund balances end of year	<u>\$ 35,259</u>	<u>\$ 626,523</u>	<u>\$ 606,538</u>	<u>\$ 1,268,320</u>

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 942,699	\$ 62,915	\$ 1,005,614
Due from other governments	604,185	-	604,185
Prepaid expenses	264,000	-	264,000
Total assets	\$ 1,810,884	\$ 62,915	\$ 1,873,799
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,172,661	\$ -	\$ 1,172,661
Deposits payable	94,600	-	94,600
Total liabilities	1,267,261	-	1,267,261
Fund balances:			
Nonspendable:			
Prepaid expenses	264,000	-	264,000
Restricted for:			
School infrastructure	279,623	-	279,623
Physical plant and equipment	-	62,915	62,915
Total fund balances	543,623	62,915	606,538
Total liabilities and fund balances	\$ 1,810,884	\$ 62,915	\$ 1,873,799

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 3,813,947	\$ -	\$ 3,813,947
Other	13,451	65,261	78,712
Total revenues	<u>3,827,398</u>	<u>65,261</u>	<u>3,892,659</u>
Expenditures:			
Other expenditures:			
Facilities acquisition	3,111,168	2,346	3,113,514
Total expenditures	<u>3,111,168</u>	<u>2,346</u>	<u>3,113,514</u>
Excess of revenues over expenditures	716,230	62,915	779,145
Other financing sources (uses):			
Interfund transfers out	(2,592,000)	-	(2,592,000)
Net change in fund balances	(1,875,770)	62,915	(1,812,855)
Fund balances beginning of year	<u>2,419,393</u>	-	<u>2,419,393</u>
Fund balances end of year	<u>\$ 543,623</u>	<u>\$ 62,915</u>	<u>\$ 606,538</u>

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT

 COMBINING SCHEDULE OF NET ASSETS
 ENTERPRISE FUNDS
 June 30, 2012

	School Nutrition	Youth Care	Career Academy House	Total
Assets				
Cash and pooled investments	\$ 511,059	\$ 84,904	\$ 188,960	\$ 784,923
Due from other governments	-	291	-	291
Inventories	104,899	-	-	104,899
Capital assets, net of accumulated depreciation	343,115	-	3,950	347,065
Total assets	\$ 959,073	\$ 85,195	\$ 192,910	\$ 1,237,178
Liabilities				
Accounts payable	11,040	12,899	1,794	25,733
Salaries and benefits payable	105,639	22,119	-	127,758
Deferred revenue	15,236	-	-	15,236
Net OPEB liability	14,902	3,110	49	18,061
Total liabilities	\$ 146,817	\$ 38,128	\$ 1,843	\$ 186,788
Net Assets				
Invested in capital assets, net of related debt	343,115	-	3,950	347,065
Unrestricted	469,141	47,067	187,117	703,325
Total net assets	\$ 812,256	\$ 47,067	\$ 191,067	\$ 1,050,390

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
ENTERPRISE FUNDS
Year Ended June 30, 2012

	School Nutrition	Youth Care	Career Academy House	Total
Operating revenues:				
Local sources:				
Charges for services	\$ 525,510	\$ 153,936	\$ 395,628	\$ 1,075,074
Operating expenses:				
Support services:				
Salaries	68,730	-	-	68,730
Benefits	9,544	-	-	9,544
Purchased services	36,781	15,840	-	52,621
	<u>115,055</u>	<u>15,840</u>	<u>-</u>	<u>130,895</u>
Non-instructional programs:				
Salaries	555,878	123,261	-	679,139
Benefits	123,168	15,067	-	138,235
Purchased services	48,694	7,603	-	56,297
Supplies	1,201,162	31,611	-	1,232,773
Depreciation	51,428	-	-	51,428
	<u>1,980,330</u>	<u>177,542</u>	<u>-</u>	<u>2,157,872</u>
Facilities acquisition and construction:				
Purchased services	-	-	3,765	3,765
Supplies	-	-	445,407	445,407
	<u>-</u>	<u>-</u>	<u>449,172</u>	<u>449,172</u>
Total operating expenses	2,095,385	193,382	449,172	2,737,939
Operating loss	<u>(1,569,875)</u>	<u>(39,446)</u>	<u>(53,544)</u>	<u>(1,662,865)</u>
Non-operating revenues:				
Interest on investments	1,650	352	-	2,002
Local sources	-	1,551	-	1,551
State sources	18,549	402	-	18,951
Federal sources	1,503,379	26,759	-	1,530,138
Total non-operating revenues	<u>1,523,578</u>	<u>29,064</u>	<u>-</u>	<u>1,552,642</u>
Change in net assets	(46,297)	(10,382)	(53,544)	(110,223)
Net assets beginning of year	<u>858,553</u>	<u>57,449</u>	<u>244,611</u>	<u>1,160,613</u>
Net assets end of year	<u>\$ 812,256</u>	<u>\$ 47,067</u>	<u>\$ 191,067</u>	<u>\$ 1,050,390</u>

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
ENTERPRISE FUNDS
Year Ended June 30, 2012

	School Nutrition	Youth Care	Career Academy House	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 511,184	\$ -	\$ -	\$ 511,184
Cash received from miscellaneous operating activities	21,163	153,936	395,628	570,727
Cash payments to employees for services	(756,963)	(136,016)	-	(892,979)
Cash payments to suppliers for goods or services	(1,110,667)	(51,703)	(89,515)	(1,251,885)
Net cash provided by (used by) operating activities	(1,335,283)	(33,783)	306,113	(1,062,953)
Cash flows from non-capital financing activities:				
(Decrease) in interfund payable	-	-	(140,000)	(140,000)
Local grants received	-	1,551	-	1,551
State grants received	18,549	111	-	18,660
Federal grants received	1,386,694	26,759	-	1,413,453
Net cash provided by (used by) non-capital financing activities	1,405,243	28,421	(140,000)	1,293,664
Cash flows from capital and related activities:				
Purchase of equipment	(7,752)	-	-	(7,752)
Cash flows from investing activities:				
Interest on investments	1,650	352	-	2,002
Net increase (decrease) in cash and cash equivalents	63,858	(5,010)	166,113	224,961
Cash and cash equivalents beginning of year	447,201	89,914	22,847	559,962
Cash and cash equivalents end of year	\$ 511,059	\$ 84,904	\$ 188,960	\$ 784,923

OTTUMWA COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
ENTERPRISE FUNDS
Year Ended June 30, 2012

	School Nutrition	Youth Care	Career Academy House	Total
Reconciliation of operating loss to net cash provided by (used by) operating activities:				
Operating loss	\$ (1,569,875)	\$ (39,446)	\$ (53,544)	\$ (1,662,865)
Adjustments to reconcile operating loss to net cash provided by (used by) operating activities:				
Depreciation	51,428	-	-	51,428
Commodities used	116,685	-	-	116,685
Decrease in inventories	57,253	-	359,898	417,151
Increase (decrease) in accounts payable	2,032	3,351	(241)	5,142
Increase (decrease) in salaries and benefits payable	(2,115)	1,824	-	(291)
Increase in deferred revenue	6,837	-	-	6,837
Increase in net OPEB liability	2,472	488	-	2,960
Net cash provided by (used by) operating activities	\$ <u>(1,335,283)</u>	\$ <u>(33,783)</u>	\$ <u>306,113</u>	\$ <u>(1,062,953)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$116,685 of federal commodities.

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District-Wide:				
Interest	\$ 64,988	\$ 1,789	\$ -	\$ 66,777
McCarroll Preschool Library	-	99	-	99
Musical Fees	5,437	2,495	4,053	3,879
Administration	3,180	35	-	3,215
Trips	250,918	312,550	315,852	247,616
Other	27,140	26,188	24,204	29,124
Agassiz	5,712	3,796	6,376	3,132
Douma	3,835	20,404	16,621	7,618
Eisenhower	13,839	18,075	17,149	14,765
Horace Mann	13,867	26,939	31,562	9,244
James	4,225	17,930	14,914	7,241
Pickwick	13,577	7,791	8,321	13,047
Wildwood	10,950	24,562	23,041	12,471
Wilson	10,465	6,512	6,934	10,043
Evans	55,065	34,492	32,098	57,459
High School	82,494	460,030	401,841	140,683
Alternative High School	287	-	177	110
Total	\$ 565,979	\$ 963,687	\$ 903,143	\$ 626,523

See accompanying independent auditor's report.

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OTTUMWA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST NINE YEARS

	Modified Accrual Basis Years Ended June 30,			
	2012	2011	2010	2009
Revenues:				
Local sources:				
Local tax	\$ 14,818,569	\$ 14,167,990	\$ 13,213,353	\$ 13,862,521
Tuition	660,613	667,025	640,221	626,137
Other	1,495,823	1,453,878	1,737,905	679,365
Intermediate sources	-	192,655	138,198	23,023
State sources	28,290,351	27,705,836	24,109,237	27,125,220
Federal sources	3,752,653	4,536,787	6,135,396	2,866,181
Total revenues	<u>\$ 49,018,009</u>	<u>\$ 48,724,171</u>	<u>\$ 45,974,310</u>	<u>\$ 45,182,447</u>
Expenditures:				
Instruction	\$ 28,243,725	\$ 28,677,641	\$ 27,716,944	\$ 26,782,056
Support services:				
Student services	1,724,072	1,634,091	1,395,964	1,358,617
Instructional staff services	1,761,647	1,874,829	1,928,677	1,547,588
Administration services	3,916,937	4,013,643	4,235,811	4,124,401
Operation and maintenance of plant services	3,795,257	3,785,141	3,609,090	3,606,585
Transportation services	1,551,382	1,453,860	1,311,944	1,206,227
Non-instructional programs	13,338	18,434	27,815	10,929
Other expenditures:				
Facilities acquisition	3,113,514	322,714	1,166,229	5,621,299
Long-term debt:				
Principal	2,920,000	6,060,000	2,025,000	680,000
Interest and fiscal charges	400,223	560,921	698,411	680,395
AEA flowthrough	1,647,866	1,822,278	1,769,471	1,586,078
Total expenditures	<u>\$ 49,087,961</u>	<u>\$ 50,223,552</u>	<u>\$ 45,885,356</u>	<u>\$ 47,204,175</u>

See accompanying independent auditor's report.

	2008	2007	2006	2005	2004
\$	11,394,355	\$ 11,208,076	\$ 11,164,979	\$ 10,981,439	\$ 9,154,683
	706,636	707,458	703,647	674,413	656,652
	1,897,332	1,589,114	1,496,771	1,468,688	1,947,936
	21,065	17,871	19,195	44,665	7,193
	26,767,932	25,428,811	23,539,622	22,598,252	22,286,299
	3,070,534	2,608,625	2,682,677	3,321,783	3,349,311
	<u>\$ 43,857,854</u>	<u>\$ 41,559,955</u>	<u>\$ 39,606,891</u>	<u>\$ 39,089,240</u>	<u>\$ 37,402,074</u>
\$	26,056,421	\$ 25,424,111	\$ 24,393,086	\$ 23,843,305	\$ 23,014,703
	1,262,883	1,209,650	1,489,444	1,576,887	1,180,904
	1,772,491	1,394,278	1,398,523	1,163,541	952,636
	3,976,802	3,877,697	3,394,586	3,052,393	3,010,152
	3,538,876	3,595,889	3,512,685	3,240,112	3,381,279
	1,225,644	1,175,279	1,148,380	1,032,484	987,835
	12,810	16,473	54,216	18,886	96,537
	9,597,229	3,224,850	991,970	1,187,999	1,159,943
	635,000	615,000	550,000	525,000	500,000
	470,068	309,443	339,318	364,242	763,052
	1,559,499	1,480,592	1,395,915	1,341,364	1,345,454
	<u>\$ 50,107,723</u>	<u>\$ 42,323,262</u>	<u>\$ 38,668,123</u>	<u>\$ 37,346,213</u>	<u>\$ 36,392,495</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U.S. Department of Education:			
Fund for the Improvement of Education	84.215	FY 12	\$ <u>42,192</u>
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 12	187,177
National School Lunch Program (non-cash)	10.555	FY 12	116,685
National School Lunch Program	10.555	FY 12	<u>1,109,691</u>
			<u>1,413,553</u>
Child and Adult Care Food Program	10.558	FY 12	<u>27,287</u>
Team Nutrition Grants	10.574	FY 12	<u>692</u>
Fresh Fruit and Vegetable Program	10.582	FY 12	<u>89,008</u>
National Endowment for the Arts:			
Iowa Arts Council:			
Promotion of the Arts-Partnership Agreements	45.025	FY 12	<u>1,000</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	5049-GC	230,868
Title I Grants to Local Educational Agencies	84.010	5049-G	1,122,569
Title I Grants to Local Educational Agencies	84.010	SINA	19,871
ARRA - Title I Grants to Local Educational Agencies,			
Recovery Act	84.389	FY 12	<u>20,938</u>
			<u>1,394,246</u>
Migrant Education - State Grant Program	84.011	FY 12	<u>142,919</u>
Safe and Drug-Free Schools and Communities			
- National Programs	84.184	FY 11	2,728
Safe and Drug-Free Schools and Communities			
- National Programs	84.184	FY 12	<u>22,652</u>
			<u>25,380</u>
Education for Homeless Children and Youth	84.196	FY 12	<u>15,864</u>
Advanced Placement Program	84.330	FY 12	<u>570</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

<u>Grantor / Program</u>	<u>Number</u>	<u>Number</u>	<u>Expenditures</u>
Indirect (continued):			
U. S. Department of Education (continued):			
Iowa Department of Education (continued):			
Rural Education	84.358	FY 11	17,273
Rural Education	84.358	FY 12	92,844
			<u>110,117</u>
Improving Teacher Quality State Grants	84.367	FY 12	<u>298,723</u>
Grants for State Assessments and Related Activities	84.369	FY 12	<u>28,913</u>
Tech-Prep Education	84.243	FY 12	<u>67,757</u>
English Language Acquisition State Grants	84.365	FY 12	<u>14,692</u>
Education Jobs Fund	84.410	FY 11	698,752
Education Jobs Fund	84.410	FY 12	13,488
			<u>712,240</u>
Southern Prairie Area Education Agency:			
Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 12	<u>250,460</u>
English Language Acquisition State Grants	84.365	FY 12	<u>28,248</u>
U. S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Promoting Safe and Stable Families	93.556	FY 12	<u>24,000</u>
Total			<u>\$ 4,687,861</u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Ottumwa Community School District and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Ottumwa Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Ottumwa Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 30, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Ottumwa Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Ottumwa Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ottumwa Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ottumwa Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We noted no material weaknesses in internal control over financial reporting during the course of our audit.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ottumwa Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Ottumwa Community School District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Ottumwa Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Ottumwa Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Ottumwa Community School District and other parties to whom Ottumwa Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Ottumwa Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
November 30, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of
Ottumwa Community School District:

Compliance

We have audited Ottumwa Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Ottumwa Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Ottumwa Community School District's management. Our responsibility is to express an opinion on Ottumwa Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ottumwa Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Ottumwa Community School District's compliance with those requirements.

In our opinion, Ottumwa Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Ottumwa Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Ottumwa Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ottumwa Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We noted no material weaknesses in internal controls over compliance during the course of our audit.

Ottumwa Community School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's response, we did not audit Ottumwa Community School District's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Ottumwa Community School District and other parties to whom Ottumwa Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
November 30, 2012

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 84.410 – Education Jobs Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Ottumwa Community School District qualified as a low-risk auditee.

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

- II-A-12 Student Meal Accounts – We noted that the balance of student meal accounts reported in the general ledger as deferred revenue in the Enterprise Fund, School Nutrition was \$6,437 higher than the actual balances reported in the District's meal accounting software.

Recommendation – The District should investigate this difference and determine why meal revenue adjustments reported by the meal accounting software differ from the general ledger adjustments actually recorded.

Response – We will investigate this difference and make any necessary adjustments.

Conclusion – Response accepted.

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

No matters were reported.

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-12 Certified Budget – Expenditures for the year ended June 30, 2012, did not exceed the amounts budgeted.
- IV-B-12 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-12 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-12 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-12 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-12 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-12 Certified Enrollment – We noted an overclaim of 1.54 students in the basic enrollment data certified to the Department of Education for Fall 2011 due to ELL funding differences, an overclaim of one resident student for Fall 2010, and an underclaim of one resident student for Fall 2011.

Recommendation – The District should contact the Department of Education and Department of Management regarding these errors.

Response – We will take the necessary actions regarding these errors.

Conclusion – Response accepted.

- IV-H-12 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-J-12 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-L-12 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	2,419,393
Revenues:			
Sales tax revenues	\$	3,813,947	
Interest		6,818	
Other local revenues		<u>6,633</u>	3,827,398
Expenditures/transfers out:			
School infrastructure construction		2,832,408	
Land purchased		219,553	
Other		59,207	
Transfers to other funds:			
Debt Service Fund		<u>2,592,000</u>	<u>5,703,168</u>
Ending balance		\$	<u><u>543,623</u></u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-L-12 Statewide Sales and Services Tax (continued)

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.30794	\$ 237,350
Physical plant and equipment levy	0.33000	254,355

IV-M-12 Interfund Loans – We noted during our audit that the District had interfund loans between the General Fund and the Enterprise, Student Construction Fund which were on the balance sheet in the prior year but not repaid until May, 2012.

According to declaratory order number 4672 issued by the Iowa Department of Education to the Iowa Auditor of State dated April 11, 2008, interfund loans on the District's year end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors' organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loan according to Iowa Code Chapter 74.

Recommendation – Although the District had a plan for repayment, it appears that to comply with the declaratory ruling the District should have issued anticipatory warrants or notes to repay the interfund loans prior to October 1st, 2011.

Response – The District is aware of the declaratory order issued by the Iowa Department of Education, but the District feels that issuing anticipatory warrants or notes for the Construction Fund to repay the interfund loans to the General Fund would impose unnecessary issuance and origination costs to the District. The interfund loan was repaid in May 2012 when the house built in fiscal 2011 and the house built in fiscal 2012 were both sold during the fiscal 2012 school year, providing the necessary funds for that repayment. In the future, we will try to make timely repayment of interfund loans to comply with the Iowa Department of Education's declaratory order.

Conclusion – Response accepted.